

To: Hamilton-Wenham Regional School Committee
From: Operational Audit Committee
Date: July 14, 2011
Subject: Follow up of the Operational Audit

The Operational Audit Committee met on May 25, 2011 to review Evergreen Solutions' memorandum of April 20 in response to our request of March 1 for further clarification of issues in their Final Report of January 27 and to discuss what follow up to recommend. Following is the results of that meeting.

1. It was agreed that no further work would be requested of Evergreen and that the 10% fee being withheld until satisfactory completion of their work would be paid.
2. It was the unanimous opinion of the Audit Committee that while there is not an expectation that all savings identified in the Report will be realized, there is the expectation of the communities that the School Committee will report from time to time their continuing evaluation, progress and response to the recommendations of the Audit.
3. While there were many report recommendations, the Audit Committee is particularly focused on those areas that most contribute to our cost per student exceeding that of peer districts. The two areas that seem to warrant more detailed analyses are our cost per Special Education student and the student teacher ratio at the high school, which to some extent, might be duplicative. Although we had hoped that Evergreen would provide detailed recommendations with respect to these areas, it is now clear that they will not. Therefore it is our strong recommendation that before submitting a budget for FY 2013, the School Committee perform a thorough analysis of these areas with the goal of identifying opportunities for cost savings or, alternatively, documenting why the cost expenditures are appropriate and consistent with accepted practice and those of other peer schools. We believe that this analysis will be essential to a smooth FY13 budget process, and if there is anything that either town can do to assist in this process we will make every effort to contribute.
4. Many of the recommendations regarded improvements in policies, procedures, and practices. We commend the School Committee for the work it has already done to identify recommendations that it has already completed, as well as those that it is undertaking. We believe that the communities expect that the SC will review and adopt as many of these as it deems practical and beneficial and will include the results in their report. In addition, there were several that represented potential cost savings for which the SC indicated it would study further. The

Audit Committee believes that it will be to everyone's benefit if these areas of potential cost savings are fully explored and that a report provided as to whether and/or how these recommendations will be implemented. The areas of specific interest include:

- i Item 6-7 Distribution and configuration of the elementary school grades
 - i Item 6-8 Relocation of the district administration to the high school and termination of the lease of the Center building.
5. It was agreed that the Operational Audit Committee should provide a final report to the Boards of Selectmen. To do that, we will need to include information from the School Committee as to its plan for review and implementation of the Audit recommendations, especially the issues in item 2 above. Therefore, we recommend that the SC committee convene a joint meeting with the Operational Audit Committee to convey and discuss its follow up plan. We understand that this plan may already be in place and would appreciate the SC scheduling a meeting at a mutually convenient date so the Audit Committee and H-W Community can learn how this plan will be rolled out. We would like to provide our final report to the Boards of Selectmen no later than October 1, 2011 and believe the implementation plan should be part of our report.
4. It was agreed that there should be a forum in which the SC can continue to report to the communities its progress in reviewing and implementing the Audit recommendations. There has been some deliberation that the Budget Process Committee is well suited for this purpose as its membership represents the leadership of each of the entities along with community representatives. We are interested in the SC's position in this regard.

Finally, the Operational Audit was authorized by the voters of Hamilton and Wenham to review the policies, procedures, practices, and programs of the Hamilton-Wenham Regional School District with a goal of determining if there were opportunities for changes or efficiencies that would reduce budgetary costs "while maintaining or improving the quality of education". As the SC has also noted, there are potential, significant cost increases expected for the FY2013 budget. In order for the towns to properly evaluate and fund the FY 2013 school budget, it must be satisfied that all reasonable efforts have been made to evaluate and implement cost saving opportunities consistent with maintaining the educational opportunities and program quality for our students. While it is our belief that town officials and the taxpayers will continue their long standing financial support for a quality school system, we are obligated to report to the voters, the progress achieved in fulfilling the goals of the Operational Audit and accordingly, whether or not the costs of our schools are appropriate. It is our shared belief that a collaborative approach and process to the implementation of the Operational Audit recommendations will benefit the entire H-W Community.

Considering the above, we ask that the SC respond to this Memorandum at its earliest convenience so that we can report to the Boards of Selectmen that a follow up process has been developed and agreed to. Thank you for all of your hard work on these issues at

such a critical time. We realize that this is only one of the pressing issues you face, and we appreciate your dedication.

On behalf of the Operational Audit Committee:

Jennifer Scuteri,
Chairman, Hamilton Board of Selectmen

Molly Martins,
Chairman, Wenham Board of Selectmen